



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

**Remarks of Ambassador Bleich
at the Committee for Economic Development of Australia,
Hobart**

(As prepared for delivery – October 24, 2012)

Good morning ladies and gentlemen.

Peter, thank you for that kind introduction.

And thank you, too, Stephen Martin and CEDA for inviting me here today.

Premier Giddings,

Members of Federal and State Parliament,

Distinguished guests,

It is always a pleasure to address the members of CEDA, and particularly here in Hobart. Congratulations on being selected by Lonely Planet as one of the top 10 cities to visit in the World. As Premier Giddings mentioned, we are betting hard on Tasmania's future. We are your number one source of tourists, your number one source of investment, and your second largest export market.

It is also great to be back in Tasmania. We've been enjoying the pure air and water, particularly the water that goes into the beverages in Hellyer and Lark Distilleries, Frogmore Creek winery, and of course Boag's and Cascade Breweries. (Laughter) I appreciate you all scheduling this event for 7 a.m. breakfast, because after doing tastings at I don't think my liver could take a cocktail reception. (Laughter)

My wife Becky and I arrived in Launceston on Monday and we are truly grateful for the warm and generous hospitality we have received. We've been all over the state witnessing the tremendous economic partnership here in everything from the Caterpillar factory in Burnie to wind farms to the IBM collaboration here in Hobart on sensor technology. We visited MONA, and despite everyone's qualms about how an Ambassador and his wife would feel about some of the confronting art pieces there, we can assure you that we're from Berkeley (laughter) and so it takes a lot to shock us. (Laughter) We thoroughly enjoyed it. In fact, we feel very much at home here. After



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

this program, I'm hoping to actually go into the water, like in those Boag's ads, and come out with a full head of hair and looking like Hugh Jackman. (Laughter)

I want to talk to you today about Australia's economic relationship with the United States. Specifically, I'd like to give you a candid assessment of where the U.S. economy is right now; a sense of the U.S. - Australia economic relationship and its future, and the economic opportunities for Tasmania within this relationship. After that, I'll look forward to opening this up for questions with Premier Giddings.

It's no secret that economic news from beyond Australia's shores reflects some general concern and uncertainty around the world. In the U.S., we have made steady progress in climbing out of a deep recession, but we still face some economic headwinds. It will still be a few years before we fully overcome the effects of the Global Financial Crisis, an overbuilt housing sector, and nearly a decade of loose credit. In the meantime, we need our Congress to tame entitlement programs to reduce our debt and restore market confidence. While much of this is within our control, the pace of our recovery could be affected by Europe, our largest export market, which is struggling with its own debt crisis. And China, the world's second largest economy, which faces slowing growth.

And yet, despite these challenges and economic headwinds, the recovery has been better than virtually any economist predicted back in 2008 when the Dow was at 6500, we were losing 6% GDP per quarter, and unemployment had spiked to over 10%. No one would have thought we'd now have the Dow stable over 13,000 and 27 consecutive months of job growth. In fact, unemployment fell below 8 percent in September for the first time in nearly four years. It's a significant improvement, and reflects the millions of private sector jobs that have been created over the past several years.

I'm not going to paint an overly rosy picture – or ignore any of the genuine challenges we still face – but by any measure the future looks encouraging. To give just one example, the IMD Yearbook to which I understand CEDA contributes, recently ranked the United States as the world's second most competitive economy, behind only Hong Kong.

This competitiveness is reflected in what is happening across key sectors of the U.S. economy. Many of you will have heard about shale gas and the return of manufacturing to the United States. The shale gas revolution is probably the biggest development in the energy sector since the North Sea came on line in the seventies. The U.S. natural gas price is now at \$2/btu, and that has dramatically reduced our dependence on foreign oil. In manufacturing, there is also a dramatic turnaround. American factories have added 400,000 manufacturing jobs in the last 2 years, the first sustained growth in that sector since the 1990s. And American business has probably never been as cashed up as it is today. Currently over \$2.5 trillion in capital is sitting on the sidelines ready to be deployed.



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

Long-term, as wages rise in other parts of the world faster than in the U.S., we see our competitiveness only improving. Despite being the world's largest economy, we are only at the dawn of the U.S. effort to export to the world. Today, only 1% of American manufacturers export at all, and most of those that do export, export to only one Country – usually Canada and Mexico. We have now begun to focus hard on exports. In fact, we are on track to double exports worldwide in only 5 years.

So, while there is still a way to go, the things that have historically made the U.S. an economic force remain as potent as ever. The United States still has one of the world's most productive and flexible work forces and attracts some of the world's most innovative entrepreneurs. We have 90 of the world's top 200 universities. We invest about \$400 billion in R&D every year. That is more than the combined R&D spend of the top 10 Asian economies, including China, India, and Japan. Let me say that one again too. The U.S.'s expenditure on R&D every year is more than China, India, Japan, South Korea, and the six next largest Asian economies combined.

Finally, our demographics are good. Unlike China and Japan, the second and third largest economies in the world, the U.S. population is still growing and will continue to grow over the coming decades.

So while we have our challenges, I'm not troubled by the perennial doomsayers who make the usual "sky is falling" claims. Every few months since I've arrived here I have heard these apocalyptic claims – "the jobs will never come back," "there will be double-dip recession," "the U.S. is in permanent decline." The evidence is just the opposite. The United States remains the largest economy in the world by a factor of three. It is going to be the key economic player in the world for a long time to come, and is spring-loaded for a significant rise.

Growing U.S.-Australia Economic Links

Now how does this affect Australia and Tasmania specifically?

Some pundits say that while the U.S. may remain a major economic force in the world, it is becoming less significant to Australia. After all, China is now Australia's largest trading partner. Chinese growth, and robust Chinese demand for Australian resources -- \$44 billion in iron ore in 2011 alone -- helped the Australian economy weather the global financial crisis. Some even say that at some point Australia will have to choose between its economic relationship with China and its security relationship with the United States.

Let me be clear - that is a false choice.



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

The notion that there is some “zero-sum” rivalry and that Australia will have to choose a side has no basis in reality. Both the United States and Australia have an enormous stake in China’s economic development and the economic development of Asia.

But that’s just part of the picture. The important elements of an economic relationship involve not merely gross trade, but also investment and the types of trade.

When it comes to investment, Australia’s greatest friend and benefactor is the United States by a wide, wide margin. The U.S. is betting on Australia, and that bet is a key contributor to Australia’s economic success. U.S. direct investment in Australia more than doubled from 2006 to 2011, from US\$67 billion to US\$136 billion. The stock of U.S. foreign direct investment in Australia exceeds our investment in any other Asia-Pacific economy, including Japan (US\$113 billion), and more than double that of China (US\$60 billion).

According to the Australian Bureau of Statistics, the total bilateral U.S.-Australia investment was almost \$1 trillion in 2010. This includes investment in both directions, as well as both direct and indirect portfolio investment.

Just to give you some comparison, this figure is 50% greater than Australia’s next largest investment relationship, with the UK. And the U.S.-Australia investment relationship is more than 30 times bigger than Australia-China two-way total investment. Let me just repeat that -- U.S.-Australia two-way investment is 30 times the size of China-Australia investment.

The U.S. is all-in here. And we believe that open, rules-based economies are the ones most likely to succeed long term, and that is where our companies and investors are putting their money.

The other factor to pay close attention to is the kind of trade and economic activity involved. Our economic relationship is with all of Australia – every state and territory. It isn’t skewed to just one commodity or industry. It encompasses all sectors from medical technology to defense contracting and from investment services to tourism.

The Economic Relationship with Tasmania

The economic relationship with Tasmania may be especially enhanced based on U.S. promotion of clean and green technologies, communications, and tourism.

I think the even bigger opportunity, though, is innovation technology. As Premier Giddings said this morning, innovation is a driver of Tasmania’s future. In the U.S. today, innovation is at the core of our economic policy and the core of our national



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

security strategy. In fact, during the worst period of the recession, the U.S. – with less than 5% of the world's population -- still obtained more patents than the rest of the world combined. In the past three years we have invested over \$100 billion in clean and green technologies – from windfarms to solar to battery storage to smart grids to biofuels. Our federal R&D Budget alone is over \$140 billion. We are also developing new ways to produce food, to increase harvests, to eliminate waste, to power agriculture, and to unlock the potential of the Asia-Pacific region.

These technologies will help Tasmania fulfill its goal of becoming Asia's food-bowl, and we will both benefit from trade and investment with each other to advance our commitment to wind, wave, tidal, geothermal, and biomass energy.

Second, the NBN – and its early introduction in Tasmania – creates a special opportunity for us to partner.

The U.S. company, ViaSat, has been awarded the contract to supply and construct ground station satellite dishes for the National Broadband Network. Their work alone will create more than 300 Australian jobs, and will allow Tasmania to connect with every nation in the world at network speed.

This is game-changing technology. Tasmania will have access at the speed of light to every type of exchange including educational exchanges. In fact, later today I'll be meeting to discuss the SenseT project. Government, universities, and private companies like IBM doing here in Tasmania what we do in the U.S. in Silicon Valley -- establish Tasmania as a living laboratory in innovative and sustainable social, environmental, and economic management.

And don't let me forget tourism.

Yesterday as I mentioned I visited MONA, the Museum of Old and New Art. MONA is one of the largest private museums in the Southern Hemisphere -- and without doubt the most provocative. In its first year MONA received almost 390,000 visitors, far exceeding expectations. The Museum is now Tasmania's biggest tourist attraction, particularly with American visitors. In fact, we've just announced that our Mission will be sponsoring 'MONA's Festival of Music and Art and the 'Ten Days on the Island' festival in 2013 to help build cultural, economic, and educational connections with Tasmanians.

We are also working closely with the City of Hobart to establish a sister-city relationship with a city in the United States.

This type of sister-city relationship, which brings communities in our two great nations together, has been quite successful for Launceston. At a reception hosted by the



Ambassador Jeffrey L. Bleich – Committee for Economic Development of Australia

Launceston City Council earlier this week, I learned from Mayor Albert Van Zetten that the city is partnering with its sister city, Napa, to launch a new scholarship for Launceston residents to study abroad.

In short, we are more than a business partner, we're an ally. We share the same commitment to free trade, open markets, and rule of law, and we work beyond basic trade to help solve one another's problems. Our economic relationship is bigger than either of us. In fact, right now, Australia and the U.S. are helping to create a system – the Trans-Pacific Partnership -- that will break down trade barriers for 11 APEC nations comprising 30% of the world's GDP. This is the type of opportunity we create together.

So, to conclude.

The U.S. economy is shaping up well for the next century. While it will take time to fully dig out from the recession, our fundamentals are unmatched. It has never paid to bet against the U.S. economy, and it still doesn't.

The U.S.-Australia relationship is vital to both our countries' success. America and Australia have come through some tough times together, and it is our common values that sustain us. We both have open societies and political systems that give us the flexibility to make needed policy changes going forward. As a package, our investment, our trade, and our people-to-people relationships mean that the United States remains Australia's leading economic partner, and this is not about to change.

We have no better friend than Australia. And for that we are deeply grateful.

Thank you. I look forward to the discussion.